

Nasdaq Stockholm: SWMA

February 25, 2020

## Notice to the Annual General Meeting in Swedish Match AB (publ)

The shareholders of Swedish Match AB (publ), Reg. No. 556015-0756, are hereby notified of the Annual General Meeting to be held on Thursday, April 2, 2020, at 15.30 CET at the cinema Skandia, Drottninggatan 82, Stockholm, Sweden.

### Agenda

1. Opening of the Meeting and election of the Chairman of the Meeting.
2. Preparation and approval of the voting list.
3. Election of one or two persons to verify the minutes.
4. Determination of whether the Meeting has been duly convened.
5. Approval of the Agenda.
6. Presentation of the annual report and the auditor's report, the consolidated financial statements and the auditor's report on the consolidated financial statements for 2019, the auditor's opinion regarding compliance with the principles for remuneration to members of the executive management as well as the Board of Directors' proposal regarding the allocation of profit and motivated statement. In connection thereto, the President's speech and the Board of Directors' report on its work as well as the work and function of the Remuneration Committee and the Audit Committee.
7. Resolution on adoption of the income statement and balance sheet and of the consolidated income statement and consolidated balance sheet.
8. Resolution regarding allocation of the Company's profit in accordance with the adopted balance sheet and resolution on a record day for dividend.
9. Resolution regarding discharge from liability in respect of the Board members and the President.
10. Resolution regarding the number of members of the Board of Directors to be elected by the Meeting.
11. Resolution regarding remuneration to the members of the Board of Directors.
12. Election of members of the Board, the Chairman of the Board and the deputy Chairman of the Board.
13. Resolution regarding the number of auditors.
14. Resolution regarding remuneration to the auditor.
15. Election of auditor.
16. Resolution regarding guidelines for remuneration to members of the executive management.
17. Resolution regarding:
  - a) the reduction of the share capital by means of withdrawal of repurchased shares; and
  - b) bonus issue.
18. Resolution regarding authorization of the Board of Directors to resolve on acquisitions of shares in the Company.
19. Resolution regarding authorization of the Board of Directors to resolve on transfer of shares in the Company.
20. Resolution regarding authorization of the Board of Directors to issue new shares.

21. Resolution regarding proposals from a shareholder regarding that the Annual General Meeting shall resolve:
- a) to delegate to the Board of Directors to try to achieve an abolishment of voting power differences by amending the Swedish Companies Act; and
  - b) to delegate to the Board of Directors to prepare a proposal concerning a system for giving small and medium-sized shareholders representation in both the Board of Directors of the Company and the Nominating Committee and to strive for a change in the national legal framework to achieve the same amendment.

### **The Proposals of the Nominating Committee**

**Item 1:** Urban Båvestam, attorney at law, is proposed as the Chairman of the Meeting.

**Item 10:** The Board of Directors is proposed to consist of eight members and no deputies.

**Item 11:** Remuneration to the members of the Board of Directors is proposed to be paid as follows for the period until the Annual General Meeting 2021 (2019 resolved remuneration within brackets). The Chairman of the Board shall receive 2,165,000 SEK (2,080,000), the deputy Chairman shall receive 1,000,000 SEK (980,000) and the other Board members elected by the Meeting shall each receive 865,000 SEK (830,000). It is further proposed that the Board, as remuneration for committee work, be allotted 280,000 SEK (270,000) to the Chairman of the Remuneration Committee and 140,000 SEK (135,000) to each of the other members of the Remuneration Committee, 350,000 SEK (310,000) to the Chairman of the Audit Committee, and 150,000 SEK (135,000) to each of the other members of the Audit Committee.

**Item 12:** The following members of the Board of Directors are proposed for re-election for the period until the end of the Annual General Meeting 2021: Charles A. Blixt, Andrew Cripps, Jacqueline Hoogerbrugge, Conny Karlsson, Pauline Lindwall, Wenche Rolfsen and Joakim Westh. Also, Alexander Lacik is proposed to be elected as new member of the Board of Directors. Conny Karlsson is proposed to be re-elected as Chairman of the Board and Andrew Cripps is proposed to be re-elected as deputy Chairman of the Board.

**Item 13:** The number of auditors is proposed to be one and no deputy auditor.

**Item 14:** Remuneration to the auditor is proposed to be paid according to approved accounts.

**Item 15:** The auditor company Deloitte AB is proposed to be re-elected as auditor for the period until the end of the Annual General Meeting 2021.

### **The Proposals of the Board of Directors**

**Item 8:** The Board of Directors proposes a dividend of 12.50 SEK per share and that the remaining profits are carried forward. The proposed record day for the right to receive the dividend is Monday, April 6, 2020. Payment through Euroclear Sweden AB is expected to be made on Thursday, April 9, 2020.

**Item 16:** The Board of Directors proposes that the 2020 Annual General Meeting adopts the following guidelines for executive remuneration.

#### **Guidelines for executive remuneration**

The guidelines govern the remuneration of the President and other members of the Group Management Team (GMT). The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

#### **The guidelines' promotion of the Company's business strategy, long-term interests and sustainability**

For information regarding the Company's business strategy, see <https://www.swedishmatch.com/Our-company/Vision-and-strategy/>.

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company can recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. The remuneration structures shall encourage employees to do their utmost to safeguard shareholders' interests and thereby the Company's sustainability and long-term value creation.

## **The types of remuneration to GMT**

The total remuneration to the GMT consists of fixed cash salary, variable cash remuneration, pension benefits, other benefits and terms related to termination of employment. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent and reasonably possible, the overall purpose of these guidelines.

### **1. Fixed salary**

The fixed salary for the GMT shall be in cash, correspond with market practice and be based on each individual's competence, country of residence, area of responsibility and performance.

### **2. Variable salary**

GMT may be entitled to a variable salary in addition to the fixed salary. The variable salary shall be capped in relation to the fixed salary and reflect the market practice in the country of residence of the member of the GMT.

The variable salary may include both a short-term (annual) cash incentive program (*2a below*), a long-term cash incentive program with a performance period which shall not be shorter than three years (*2b below*), and profit sharing (*2c below*). To correspond with local market practice and to be able to attract and retain members of the GMT resident outside of Sweden, such members may participate in an additional incentive program (*2d below*).

The variable cash salary shall be linked to specified performance criteria. Performance criteria, their weight, thresholds and targets will be established at the beginning of each respective program.

The performance criteria will be established by the Board of Directors in relation to the President and by the Remuneration Committee in relation to all other members of GMT. The criteria shall be designed to contribute to the Company's business strategy and long-term interests, including its sustainability. A majority of the criteria shall be linked to clear and measurable financial performance measures (e.g. operating profit and net sales). There may also be non-financial criteria (e.g. operational criteria or criteria linked to sustainability).

The extent to which criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The Remuneration Committee is responsible for the evaluation of variable remuneration to be awarded the President as well as the other members of the GMT. For financial performance criteria, the evaluation shall be based on financial information made public by the Company.

By the end of a program, either the Board of Directors or the Remuneration Committee will have the right to adjust the outcome in case conditions have changed during the performance period. However, such potential adjustment(s) must have the primary purpose of strengthening the link between remuneration and the value creation for the shareholders, and to ensure that the level of remuneration is a fair reflection of the Company's and the individual's performance during the performance period for each individual program.

The Board of Directors shall have the possibility, subject to the restrictions that may apply under law, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

#### **2a) Short-term incentive program**

The Board of Directors and the Remuneration Committee can annually resolve to implement an annual incentive program (*STI*). The maximum variable salary of such short-term incentive shall be 70 percent of the base salary.

To strengthen the connection to the shareholders' interest and the Company's long-term value creation, members of GMT may in the beginning of the program commit to purchase Company shares for at least 50 percent of the received cash award net of income tax and to retain such shares for a period of not less than three years. A 20 percentage points reduction in maximum variable salary shall apply to any GMT member who does not commit to such purchase and retention of shares.

### **2b) Long-term incentive program**

The Board of Directors and the Remuneration Committee can annually resolve to implement a long-term cash incentive program (*LTI*) where the maximum variable salary shall be 45 percent of the base salary. The LTI-program, with a performance period which shall not be shorter than three years, includes an obligation to purchase Company shares for the full cash award net of income tax and to retain such shares for a period of not less than two years.

### **2c) Profit-Sharing System**

In some countries employees, including members of the GMT, can participate in profit-sharing systems.

The Profit-Sharing System is not connected to a position and shall compose a small part of the remuneration for the member of GMT. The maximum award to members of GMT resident in Sweden shall not exceed 5 percent of the base salary.

### **2d) Additional incentive program**

To correspond with local market practice, GMT members resident outside Sweden may participate in an additional incentive program capped over time at 50 percent of the base salary. Performance criteria shall be set at the beginning of each program whilst the thresholds and targets can be set at the beginning of the performance period or yearly.

## **3. Pensions**

Old age pension shall be designed to reflect the practices in the country where a member of the GMT is resident.

The retirement age of a member of GMT shall normally be 65 years.

With regard to employments in Sweden, the GMT may have a defined contribution plan applicable to the part of the salary which is not covered by the ITP-plan. Such pension contributions shall amount to not more than 40 percent of the part of the base salary which is not covered by another pension plan.

Pension for new members of the GMT shall preferably be covered by defined contribution plans, which can amount to a maximum of 40 percent of the salary which qualifies for pension. Variable cash remuneration shall not qualify for pension benefits unless it is stated in mandatory rules or collective bargaining agreements.

## **4. Other benefits**

Other benefits may include a Company car, disability and sickness benefits, medical insurance and life insurance.

Other benefits to members of the GMT shall be payable in accordance with local practice. The combined value of these benefits shall normally constitute a limited value in relation to the total remuneration package and shall correspond to market practice.

GMT members, who are expatriates to another country than their country of origin, may receive additional remuneration and other benefits to the extent reasonable in light of the special circumstances associated with the expatriate arrangement, taking into account the overall purpose of these guidelines. Such additional benefits will be payable under the same conditions as for other employees during expatriate arrangement.

## **5. Termination of employment**

The notice period may not exceed six months. Upon termination of employment by the Company, severance pay amounting to a maximum of 18 months fixed salary is paid. Notice of termination given by a GMT member due to significant structural changes, or other events that in a determining manner affect the content of work or the conditions for the position, is equated with of notice of termination given by the Company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the fixed cash salary for two years.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall amount to not more than 60 per cent of the fixed cash

salary at the time of termination of employment, unless otherwise provided by mandatory collective bargaining agreements, and be paid during the time the non-compete undertaking applies, however not for more than nine months following termination of employment.

### **Salary and employment conditions for employees**

In the preparation of the Board of Directors' proposal for these guidelines and when evaluating whether the guidelines and the limitations set out herein are reasonable, the Remuneration Committee and the Board of Directors have taken into account salary and employment conditions for other employees in the Company. This typically include remuneration levels and elements, including changes in remuneration levels, as well as other employment conditions for employees in the Company that are not members of the GMT. The Committee regularly consults with the HR function of the Company in order to stay up to date with employee pay and conditions across the broader employee population.

### **The decision-making process to determine, review and implement the guidelines**

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the GMT, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The President and other members of the GMT do not participate in the Board of Directors' deliberations or resolutions regarding remuneration-related matters in so far as they are affected by such matters.

### **The Board of Directors' right to derogate from the guidelines**

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

**Item 17 a):** The Board proposes that the Annual General Meeting resolves to reduce the share capital by way of cancellation of own shares. The purpose of the reduction is allocation to unrestricted equity to be used as resolved by the Annual General Meeting in accordance with item b) below. The reduction of the share capital shall be made by cancellation of such own shares that are held by the Company three weeks prior to the Annual General Meeting. The reduction of the share capital may be made with no more than 19,710,695 SEK by way of cancellation of no more than 8,600,000 shares. The exact reduction amount and the exact number of shares proposed to be cancelled will be presented in the complete proposal, which will be held available no later than three weeks prior to the Annual General Meeting. The resolution to reduce the share capital under this item a) may be effectuated without obtaining an authorization from the Swedish Companies Registration Office or, in disputed cases, a court of general jurisdiction, as the Company simultaneously effectuates a bonus issue, as set out under item b) below, with an amount corresponding to no less than the amount the share capital is being reduced with, as set out above. Combined, these measures entail that neither the Company's restricted equity nor its share capital is reduced.

**Item 17 b):** With the purpose of restoring the share capital after the proposed reduction of the share capital, as set out under item a) above, the Board proposes that the Annual General Meeting simultaneously resolves to increase the share capital by way of a bonus issue with an amount corresponding to no less than the amount the share capital is reduced with by way of cancellation of shares, as set out under item a) above. The bonus issue shall be carried out with the amount being transferred from equity without the issuance of new shares. The exact amount of the increase will be presented in the complete proposal, which will be held available no later than three weeks prior to the Annual General Meeting.

Resolutions by the Annual General Meeting in accordance with items 17 a)-b) above shall be adopted as a joint resolution and require approval by shareholders representing no less than two thirds of the votes cast as well as the shares represented at the Annual General Meeting. The Board further proposes that the Annual General Meeting authorizes the Board to make such minor adjustments to the above resolutions as may be required to

file the resolutions with the Swedish Companies Registration Office or Euroclear Sweden AB and to take such other measures required to execute the resolutions.

**Item 18:** The Board of Directors proposes that it be authorized to resolve on acquisition of the Company's own shares, on one or several occasions prior to the next Annual General Meeting, provided that the Company's holding does not at any time exceed 10 percent of all shares in the Company. The shares shall be acquired on Nasdaq Stockholm at a price within the price interval registered at any given time, *i.e.* the interval between the highest bid price and the lowest selling price. The purpose of the repurchasing right is primarily to enable the Company to adapt its capital structure to its capital needs over time, and thereby contribute to an increased shareholder value.

The resolution of the Annual General Meeting with regard to the Board's proposal under item 18 requires the support of shareholders representing at least two thirds of both the votes cast and the shares represented at the Meeting.

**Item 19:** The Board of Directors proposes that it be authorized to resolve on transfer of the Company's own shares, on one or several occasions prior to the next Annual General Meeting.

The shares may only be transferred in conjunction with the financing of company acquisitions and other types of strategic investments and acquisitions, and the transfers may not exceed the maximum number of treasury shares held by the Company at any given time. Transfer of own shares shall be made either on Nasdaq Stockholm or in another manner. In conjunction with the acquisition of companies or operations, transfer of own shares may be made with deviation from the shareholders' preferential rights and at a price within the price interval registered at any given time (*i.e.* the interval between the highest bid price and the lowest selling price) at the time of the decision regarding the transfer and in accordance with the rules of Nasdaq Stockholm. Payment for shares transferred in this manner may be made in cash or through a non-cash issue or offsetting of claims against the Company, or on other specific terms. The reason for the authorization and deviation from the shareholders' preferential rights is, where appropriate, to be able to transfer shares in conjunction with the financing of any company acquisitions and other types of strategic investments and acquisitions in a cost-efficient manner.

The resolution of the Annual General Meeting with regard to the Board's proposal under item 19 requires the support of shareholders representing at least two thirds of both the votes cast and the shares represented at the Meeting.

**Item 20:** The Board of Directors proposes it be authorized to, for the period until the end of the next Annual General Meeting, to issue new ordinary shares on one or more occasions, with or without deviation from shareholders' preferential rights and against payment in cash, in kind or by set-off. The number of shares that may be issued may not exceed a maximum dilution effect of 10 percent of the share capital and votes at the time of the Annual General Meeting 2020. The reasons for the authorization and deviation from shareholders' preferential rights are that the Board wishes to increase the Company's financial flexibility and to allow the Company to issue common shares as payment in connection with acquisitions the Company might make. The subscription price shall be determined according to prevailing market conditions at the time the shares are issued.

The resolution of the Annual General Meeting with regard to the Board's proposal under item 20 requires the support of shareholders representing at least two thirds of both the votes cast and the shares represented at the Meeting.

**Item 21:** Proposals from a shareholder that the Annual General Meeting shall resolve to:

- a) delegate to the Board of Directors to try to achieve an abolishment of voting power differences by changing the Swedish Companies Act, primarily by reaching out to the Swedish Government; and
- b) delegate to the Board of Directors to prepare a proposal concerning a system for giving small and medium-sized shareholders representation in the Board of Directors of the Company as well as in the Nominating Committee which delegation shall include also a delegation to strive for a change in the national legal framework to achieve the same amendment, primarily by reaching out to the Swedish Government.

## Documents

The financial statements, the auditor's report and the Board of Directors' complete proposal including the Board of Directors' statement pursuant to Chapter 18, section 4 of the Companies Act, as well as other documentation,

which, according to the Companies Act, shall be made available at the Annual General Meeting will be made available at Swedish Match headquarters (Legal Department) at Sveavägen 44, in Stockholm, Sweden, no later than Thursday, March 12, 2020. The documents will be sent to shareholders upon request, provided that such shareholder states its address. All the above documents will be available on the Company's website, <https://www.swedishmatch.com/> and be presented at the Annual General Meeting.

#### **Number of shares and votes in the Company**

The total number of shares and votes in Swedish Match AB (publ) as per Monday, February 24, 2020 amounted to 169,950,000 of which 7,283,687 shares were repurchased own shares which may not be represented at the Meeting.

#### **Right to participate in the Meeting**

In order to participate in the Meeting you need to be registered as a shareholder in the share register kept by Euroclear Sweden AB on Friday, March 27, 2020. In addition, you need to notify Swedish Match of your intention to participate in the Meeting no later than Friday, March 27, 2020, at which time the notification shall have been received by Swedish Match. Shareholders who wish to be accompanied by one or two assistants at the Meeting shall also inform Swedish Match thereof within the appointed period of time.

#### **Notice of participation**

Notice of participation may be submitted in writing to Swedish Match AB (publ), "Årsstämman", c/o Euroclear Sweden AB, P.O 191,101 23 Stockholm, Sweden, by telephone at +46 (0)8 402 90 42 (09:00 – 16:00 CET), or via the Internet at <https://www.swedishmatch.com/agm>. Upon giving notice of participation, the shareholder shall state his or her name/company name, civic ID/corporate registration number, address, telephone number (daytime) and the number of assistants, if any. Receipt of notification will be confirmed by Swedish Match, which will issue an attendance card prior to the Meeting to be presented at the entrance to the venue where the Meeting is held.

#### **Proxy form**

Proxy forms are available upon request and on the Company's website <https://www.swedishmatch.com/>.

#### **Proxy**

Shareholders who are represented by proxy shall issue a power of attorney for the proxy. If the power of attorney is issued by a legal entity, a copy of the corporate registration certificate for such legal entity shall be enclosed (or if no such document is available, an equivalent authorization document). The proxy is valid for one year from the date of issuance or the longer period of validity stated in the proxy, however not longer than five years from the date of issuance. To facilitate entry at the Meeting, the power of attorney in original as well as the corporate registration certificate and other authorization documents, if any, should be provided to the Company at the address stated above no later than Friday, March 27, 2020.

#### **Voting right registration**

Shareholders whose shares are nominee registered and who wish to participate in the Meeting must temporarily re-register such shares in their own name (i.e. voting right registration). Request for re-registration shall be submitted to the nominee in sufficient time to allow the re-registration to be effective at Euroclear Sweden AB no later than Friday, March 27, 2020.

#### **Information at the Annual General Meeting**

The Board of Directors and the President shall, if any shareholder so requests and the Board of Directors considers that it may be done without significant harm to the Company, provide information regarding circumstances that may affect the assessment of an item on the Agenda, and circumstances that may affect the assessment of the Company's or its subsidiaries' financial position and the Company's relation to other companies within the Group.

#### **Processing of personal data**

For information on how your personal data is processed, see <https://www.swedishmatch.com/Service-pages/About-the-website/privacy-notice/shareholders>.

The entrance to the venue for the Meeting will open at 14:30 CET. Coffee will be served before the Meeting.

Stockholm, February 2020

SWEDISH MATCH AB (publ)

*The Board of Directors*

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Contact:

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Swedish Match develops, manufactures, and sells quality products with market-leading brands in the product segments Snus and moist snuff, Other tobacco products, and Lights. Production is located in seven countries, with sales concentrated in Scandinavia and the US. The Group's global operations generated sales of 14,739 MSEK for the twelve month period ending December 31, 2019. The Swedish Match share is listed on Nasdaq Stockholm (SWMA).

Swedish Match's vision is a world without cigarettes. Some of its well-known brands include: *General, Longhorn, ZYN, Game, Red Man, Fiat Lux, and Cricket.*

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